

# News Release

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## S&P Global Electronics PMI™

### Electronics sector conditions worsen as demand recedes further at start of 2023

#### Key findings

Downturns in activity and new orders quicken in January

Suppliers' delivery times lengthen at slowest pace in three years

Selling price inflation accelerates despite slower increase in input costs

The S&P Global Electronics PMI™ is compiled from survey responses from purchasing managers in electronics manufacturers worldwide. The headline figure is the Purchasing Managers' Index™ (PMI), a weighted average of indices tracking new orders, output, employment, suppliers' delivery times and stocks of purchases. The PMI provides a single-figure snapshot of the underlying health of the electronics sector.

The headline seasonally adjusted PMI posted 48.9 in January, down from 50.1 in December 2022, to signal a deterioration in operating conditions across the global electronics manufacturing sector at the start of 2023. While mild, the latest data indicated a third contraction in six months, underpinned by further declines in new orders and output.

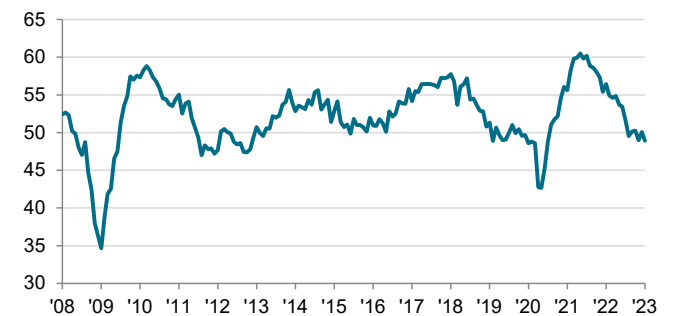
Global electronics production persisted in contraction at the start of 2023, thereby extending the current sequence of declines to seven months. Moreover, the rate of decline picked up from December to the fastest in two months. The decrease was often linked to lower sales across Europe, China and the US. Divergent trends were noted across the four monitored sub-sectors, with Consumer and Industrials recording an uptick in output while Communications and Computing saw sharp falls.

New business placed with electronics manufacturers declined for an eighth straight month in January. The rate at which client demand fell was the third-fastest in the current sequence and sharp overall. According to panellists, weaker global economic conditions, high inflation and sufficient inventory holdings at clients led to the paring back of new orders. All four monitored sectors registered a fall in sales, led by Computing.

Electronics firms continued to expand their workforce capacity in January, despite falling new orders and output. Anecdotal evidence suggested that companies continued to hire to support production and in anticipation of further demand growth. The rate of job creation eased from

S&P Global Electronics PMI

sa, >50 = improvement since previous month



Source: S&P Global.

#### Comment

Commenting on the PMI data, Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

*“The latest PMI data signalled that the global electronics sector experienced another downturn at the start of 2023. A sharp decline in demand for global electronics led to the scaling back of production volumes in January.*

*“Furthermore, backlogged work declined at the fastest pace in over two-and-a-half years, reflecting the widening of the capacity slack within the global electronics sector. While this enabled the easing of supply-chain constraints for electronics manufacturers, evident via the least marked deterioration in vendor performance in three years, it does not bode well for production in the near-term.*

*“That said, even as the sustained contraction in new orders led to the paring back of input acquisition, hiring activity continued at a solid rate in January as firms are anticipating future improvements in output.”*

PMI™

by S&P Global

December but remained above the series average. The Industrials sector recorded a faster expansion in employment than Communications. Consumer and Computing firms saw job shedding.

The level of work outstanding at global electronics manufacturers declined for a seventh consecutive month at the start of 2023 and at the fastest rate since June 2020. Lower new orders and the easing of supply-chain constraints allowed firms to work through unfinished business, according to panellists. All four monitored sub-sectors recorded contractions in backlogs in January.

Post-production inventories held by global electronics firms shrank for the fifth month running. The rate of decline accelerated from December to the fastest since last April and was marked. Survey respondents indicated that improvements in outbound shipping performance led to lower post-production inventory holdings.

Global electronics manufacturers reduced their input acquisition for a sixth straight month during January. The rate of contraction was solid and faster than in December. Firms reported trimming buying activity alongside the fall in demand. All four monitored sub-sectors recorded a decrease in purchasing activity, led by Computing.

January data indicated a further deterioration in vendor performance across the electronics manufacturing sector, attributed to shipping delays and supply shortages. That said, the extent to which lead time lengthened was the least marked since January 2020. Supply-chain pressures reportedly eased due to subdued input demand supporting faster shipments and an improvement in stock levels among distributors. Vendor performance in the Communications sub-sector improved, while further deteriorations were noted in the other three categories.

Adjusted for seasonal factors, the Stocks of Purchases Index

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posted above the 50.0 neutral mark in January, to signal an upturn in pre-production inventories at electronics firms. Panellists frequently linked the decline in new orders and stockpiling efforts for future production to the rise in input holdings. The rate of growth eased from December and was mild, however. Of the four sub-sectors monitored, only Consumer and Industrials recorded accumulation.

Average cost burdens at global electronics manufacturers increased markedly at the start of 2023. Higher raw material costs, underpinned by shortages of some items, and greater transport fees were reported as having contributed to rising input costs. Although historically elevated, the pace of inflation eased for the fourth month running to the lowest since November 2020. At the sub-sector level, Industrials recorded the sharpest increase in input prices.

Despite the easing of input price inflation, selling prices at global electronics manufacturers rose at a faster and historically elevated rate in January as firms continued to share their cost burdens with clients. Similar to the trend for input costs, Industrials registered the steepest rise in selling prices of the four monitored sub-sectors. Consumer electronics manufacturers recorded the slowest increase.

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### Survey methodology

The S&P Global Electronics PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in electronics manufacturers worldwide. The sample is selected from S&P Global's PMI survey panels in Austria, China, Czech Republic, Germany, France, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, Poland, Russia, South Korea, Spain, Taiwan, UK and the USA.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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